



# STAYING connected



MoDOT & Patrol Employees' Retirement System

December 2012

## 2013 COLA Rate to be Determined Late January

The 2013 cost-of-living allowance (COLA) will be calculated and announced late January, which is when the U.S. Department of Labor generally releases the December Consumer Price Index for All Urban Consumers (CPI-U) numbers needed for the calculation.

Once the 2013 COLA rate is determined, MPERS will post it on [www.mpers.org](http://www.mpers.org)

The laws authorizing MPERS to pay a COLA also dictate how the annual COLA rate is determined. Each January, MPERS compares the average CPI-U for the most recently completed calendar year (2012) and the average CPI-U for the prior year (2011). The annual COLA rate is based on 80% of the change in the CPI-U, with a maximum rate of 5%.



*(Closed Plan members who were hired prior to August 28, 1997 and have not reached their 65% COLA cap will receive at least a 4% COLA in October 2013.)*



## Important Reminders

*More information inside this newsletter!*

### Medical Premiums

- The new 2013 medical premium deductions start with your December benefit payment. (page 3)

### 2013 COLA Rates

- The 2013 COLA rate will be determined late January (after the release of the CPI-U data). (page 1)

### Tax Information

- The new 2013 Federal tax withholding rates will start with your January benefit payment. (page 3)
- Your 1099-R tax form(s) from MPERS will be mailed by January 31st. (page 2)
- You can change your Federal or Missouri State\* tax withholding election at any time. (page 3)
- Ask your tax preparer about potential Federal and Missouri State\* tax exemptions. (page 4)

*\*For Missouri residents only.*



## Tax Withholding Notice

The Tax Equity and Fiscal Responsibility Act of 1982 requires that we remind you each year that the monthly benefit payments you receive from MPERS are subject to Federal tax withholding. If you claim residence in Missouri, your retirement benefits are also subject to state tax. MPERS will withhold Missouri income tax at your request. **You may change your tax withholding amount at any time.**

MPERS does not withhold state taxes for any state other than Missouri. If you have questions regarding state taxes where you live, we recommend that you contact the appropriate state and local tax authorities in your state.

Form required to change tax withholding amount:

### W-4P Substitute

Form available online at [www.mpers.org](http://www.mpers.org)

- Submit electronically, or
- Download form and mail

*The information in this newsletter does not amend or overrule any applicable statute, Internal Revenue Code, or administrative rule. In the event of conflict, the applicable statute, Internal Revenue Code, or administrative rule will prevail.*



## Understanding Your 1099-R

- 1099-R tax forms will be mailed to you by January 31st**

*You will receive a separate 1099-R for each type of benefit payment received from MPERS in 2012 (e.g. monthly benefit payment, BackDROP, survivor, etc).*

- Keep your December benefit payment stub**

*It provides important year-to-date totals (e.g. benefit amount received, taxes, medical premiums, etc.).*

### Notable Sections of Your 1099-R

1 Gross distribution		OMB No. 1545-0119		Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
\$		2012		
2a Taxable amount		Form 1099-R		
\$				
2b Taxable amount not determined <input type="checkbox"/>		Total distribution <input type="checkbox"/>		Copy 1 For State, City, or Local Tax Department
3 Capital gain (included in box 2a)		4 Federal income tax withheld		
\$		\$		
5 Employee contributions / Designated Roth contributions or insurance premiums		6 Net unrealized appreciation in employer's securities		
\$		\$		
7 Distribution code(s)	IRA/SEP/SIMPLE <input type="checkbox"/>	8 Other		
		\$	%	
9a Your percentage of total distribution %		9b Total employee contributions		
\$		\$		
12 State tax withheld		13 State/Payer's state no.		14 State distribution
\$				\$
15 Local tax withheld		16 Name of locality		17 Local distribution
\$				\$
\$				\$

### Box 1: Gross Distribution

Total amount paid to you by MPERS in 2012.

### Box 2a: Taxable Amount

Portion of your total benefit received that is considered "taxable income." (*Amount may be different from Box 1.*)

### Box 4: Federal Income Tax Withheld

Total amount of Federal income tax withheld from your MPERS benefit payments in 2012.

### Box 5: Employer Contributions

Difference between Box 1 and 2a. Portion of amount paid to purchase service that is excluded from your taxable amount (*if you purchased service before retirement using after-tax dollars*).

### Box 7: Distribution Code(s)

The code identifies the type of benefit paid (e.g. retirement, BackDROP, survivor, etc). The codes are listed on the back of the 1099-R form.

### Box 12: State Tax Withheld

Total amount of Missouri State income tax withheld during 2012 (*if applicable*).

**www.mpers.org**  
**Secure Member Access 24/7**

*myMPERS online*

*Lets you...*

- View your monthly benefit payments.
- Submit a *W-4P Substitute* tax withholding form **electronically** to MPERS.
- Download forms and publications.



### *How to Register for myMPERS Online Secure Member Access*

1. Go to **www.mpers.org**
2. Click on the **myMPERS Login** button in the left menu.
3. Click on **Create Login!**
4. Provide the requested information to create your personal **Username** and **Password**.
5. Click **Submit**.



## Is the Net Amount of Your Benefit Payment Different?

Each December and January, we receive calls from benefit recipients asking – “Why is the amount of my benefit payment different?” Below are the most common reasons why your net benefit (after taxes/deductions) might be different in December or January.

**Comparing the deduction amounts on your current monthly payment stub, with the deductions from your previous month's payment stub, will help you identify the amount(s) that changed.**

MoDOT and Patrol Employees' Retirement System 1913 William st, PO Box 1930 Jefferson City, MO 65102-1930

		Income	Current	Year to Date	Deductions	Current	Year to Date
Check Number	136185	Retirement	\$2,478.99	\$24,769.90	Federal Tax	\$311.70	\$3,117.00
Check Date	12/31/2010				MO-State Tax	\$32.00	\$320.00
Withholding Status					Medical	\$102.00	\$1,020.00
Federal State	Single/0 + \$34.00 Flat Amount \$32.00						
Messages					Total Income	\$2,476.99	\$24,769.90
					Total Deductions	\$445.70	\$4,457.00
					Net Benefit	\$2,031.29	\$20,312.90



MoDOT and Patrol Employees' Retirement System  
1913 William Street, PO Box 1930  
Jefferson City, MO 65102-1930

NO. 135185

Void after 120 days

Check Date  
12/31/2010

Check Amount  
\$\*\*2,031.29\*\*

PAY  
TO THE  
ORDER OF

\*\*\*TWO THOUSAND THIRTY-ONE AND 29/100 DOLLARS\*\*\*  
Joseph E Retiree



### If Your December Benefit Payment is Different...

- **Medical Premiums.** If you have medical coverage through the MoDOT/MSHP Medical and Life Insurance Plan, you could see a difference in the net amount of your December benefit payment. The new medical insurance premiums go into effect each January. However, the premiums for your coverage come out of your benefit payment the month before the actual coverage. For example, the premiums for your January coverage are deducted from your December benefit payment. The Medical Plan sent a reminder announcement with your November payment stub.

*Have Questions About...*

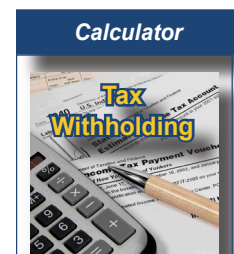
**Medical Insurance**  
Call (877) 863-9406, Option 3

**Dental/Vision Insurance**  
Call (800)487-0771

- **Dental/Vision Premiums.** If you have dental or vision coverage through the Missouri Consolidated Health Care Plan (MCHCP), the new premiums go into effect each January. The premiums for your January coverage will be deducted from your December benefit payment.

### If Your January Benefit Payment is Different...

- **Federal Tax Withholding.** Generally speaking, the new Federal tax withholding tables go into effect each January. When the new tax tables go into effect, your net benefit (after tax) amount can be more or less, depending on your tax withholding election.



For your convenience, a simple tax withholding calculator is available on the home page of MPERS' website at **www.mpers.org**. The calculator will allow you to estimate the net amount of your benefit payment, based on the tax withholding and applicable deductions you enter (*must have Microsoft Excel on your computer to operate the calculator*).

This calculator is available **for estimate purposes only** and does **not** change your tax withholding election. You may change your Federal and Missouri State tax withholding election at any time by completing a new *W-4P Substitute* tax withholding form. **For your convenience, the form can be submitted electronically or downloaded on our website at [www.mpers.org](http://www.mpers.org)**



## 2012 Federal and Missouri State Income Tax Exemption Reminders

You might be eligible for certain Federal or Missouri State tax exemptions when you file your annual income tax return. **If you have questions regarding these exemptions or your taxes in general, please contact a tax professional or the Missouri Department of Revenue. MPERS staff cannot answer your tax questions.**



### Federal Tax Exemption

#### Pension Protection Act of 2006 (for retired public safety officers)

The Pension Protection Act of 2006 allows **retired public safety officers** to exclude up to a maximum of \$3,000 in medical, dental, and vision insurance premiums made from your eligible retirement plan. A **public safety officer** is defined as a law enforcement officer, firefighter, chaplain, or member of a rescue squad or ambulance crew. **(Keep your December payment stub for the total premiums paid.)**

### Missouri State Tax Exemptions

#### Public Pension Exemption

Married couples with Missouri adjusted gross income less than \$100,000 and single individuals with Missouri adjusted gross income less than \$85,000, may deduct 100% of their public retirement benefits, up to the Social Security limit. Those with a Missouri adjusted gross income greater than the amounts listed above may qualify for a partial deduction.

The Public Pension Exemption amount must be decreased by the amount equal to what is granted under the Social Security and Social Security Disability Deduction.

#### Social Security and Social Security Disability Deduction

Married couples with Missouri adjusted gross income less than \$100,000 and single individuals with Missouri adjusted gross income less than \$85,000, may deduct up to 100% of taxable Social Security and Social Security Disability Benefits. Those with a Missouri adjusted gross income greater than the amounts listed above may qualify for a partial deduction. Individuals must be at least age 62 to qualify for a Social Security deduction.

#### Qualified Health Insurance Premiums Subtraction

Qualified health insurance premiums you paid (including those withheld from your pension benefit) may be used to reduce your Missouri adjusted gross income. Do not include any pre-tax premiums paid, any premiums already excluded from Federal taxable income, or any long-term care insurance premiums. A worksheet is provided with the MO-1040/MO-A instructions that should be used to determine the allowable subtraction. **(Keep your December payment stub for the total medical premiums paid.)**

#### Military Service Member Exemption

For the tax year beginning January 1, 2012, 45% of a military pension income will be exempt from Missouri State tax. The tax deduction rate will increase by 15% annually until January 1, 2016, when all military pension income will be tax free. *The exemption may be taken on Form MO-1040, MO-A, Part 3, Section D.*

#### Public Safety Officer Surviving Spouse (SSC) Tax Credit

Any surviving spouse of an eligible public safety officer (includes highway patrol and commercial motor enforcement officers), who was killed in the line of duty, may be eligible for a credit against the tax due under Chapter 143, RSMo., excluding withholding tax, equal to the amount of property taxes paid on their homestead.

For tax years beginning on or after January 1, 2008, the credit may be claimed for the tax year beginning the year of the death of the public safety officer until the surviving spouse remarries. To claim the credit, attach forms MO-SSC or MO-TC to your individual income tax return.

<http://dor.mo.gov/taxcredit/>